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*Prime Minister* ②  
*JV*

*hus 4/12*

DEPARTMENT OF TRANSPORT  
2 MARSHAM STREET LONDON SW1P 3EB



The Rt Hon Sir Geoffrey Howe, QC, MP  
Chancellor of the Exchequer  
HM Treasury  
Treasury Chambers  
Parliament Street  
SW1P 3AG

6 December 1982

*Dea Sidney*

*MS*

NATIONALISED INDUSTRIES PAY

The letter of 8 November from the Prime Minister's Private Secretary suggested that sponsor Ministers should report to you the outcome of their discussions with the Chairmen of their nationalised industries about the prospects for the coming pay round. I have since seen the Treasury guidance notes attached to your letter of 19 November to Nigel Lawson.

I have spoken to Sir Peter Parker and made clear the Government's position. British Rail have already based their plans on an aim to hold the rise next year down to 4½ per cent, but they will of course be looking at this again in the light of the eventual outcome of this year's pay round. I have also raised with Sir Peter the idea of getting away from the annual pay round ritual altogether and thinking in terms of longer term pay contracts, and he has agreed to consider this.

Lord Shepherd has been out of the country, but I will meet him shortly and will take that opportunity to establish the objectives with him so far as the National Bus Company

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is concerned, though their room for manoeuvre is very much affected by the prior settlements for the municipal bus men. But here, too, I intend to put into his mind the thought that it is now time to think about ways of moving away from the old annual pay round provisions if possible.

So far as the British Transport Docks is concerned, the impending privatisation makes the general line of policy for the public trading sector less relevant. The Board for their part will be aiming for settlements in their various ports which will be viewed well by potential investors, while avoiding disruptions that might be damaging to flotation.

I am copying this letter to the Prime Minister, other members of E, and to Sir Robert Armstrong and John Sparrow.

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*David*

DAVID HOWELL

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*Public Sector Pay*



- 6 DEC 1982

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